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COUNCIL COMMUNICATION

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TO: THE CITY COUNCIL  
FROM: THE CITY MANAGERS OFFICE

COUNCIL MEETING DATE  
DECEMBER 6, 1989

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SUBJECT: INCREASE SELF RETENTION ON PUBLIC LIABILITY FUND

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PREPARED BY: Assistant City Manager

RECOMMENDED ACTION: That the City Council authorize the City of Lodi to assume a **\$500,000** self insured retention (deductible or SIR) in the California Joint Powers Insurance Authority (CJPIA).

BACKGROUND INFORMATION: The City presently has a **\$250,000** self insured retention in the CJPIA. Recently, bylaws were changed to provide that losses would be distributed according to payroll rather than according to loss history.

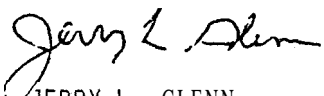
We have available to us SIR's of **\$250,000**, **\$500,000**, and **\$1,000,000**. Many members have dropped from the **\$250,000** SIR pool. I have been notified the City of San Rafael is planning to leave that pool. If that is the case, the City of Lodi's share of any loss from **\$250,000** to **\$500,000** would be **19.3%**. If there were a claim of **\$400,000** against any member, the City of Lodi would be responsible for **\$28,950** of the claim. This amount would come from our premium deposits.

Because this **\$250,000** is growing smaller, there is discussion to raise the limit to **\$350,000**. Under this plan, we would be responsible for **19.3%** of all claims over **\$350,000**. To be in that pool would cost us **\$.30** per **\$100** of payroll, or approximately **\$36,000** to purchase a maximum of **\$121,050** of protection if we had one claim against us of **\$500,000**.

Council should be aware of the downside. If we had a number of paid claims exceeding **\$250,000**, we would be better off being at the **\$350,000** level rather than the **\$500,000**. By the same token, the City of Lodi has never had a paid claim in excess of **\$250,000**, let alone **\$350,000** or **\$500,000**. The CJPIA has only had two paid claims in excess of **\$250,000**.

It seems prudent risk management to increase our SIR to **\$500,000**, but continue to budget for **\$250,000** and place the remainder in our Liability Reserve account. Council is respectfully requested to approve the attached resolution allowing the City to drop from the **\$250,000** SIR pool.

Respectfully submitted,



JERRY L. GLENN  
Assistant City Manager

CCCJPIA/TXTA.01V

RESOLUTION NO. 89-177

A RESOLUTION OF THE LODI CITY COUNCIL  
AUTHORIZING THE CITY OF LODI TO ASSUME A \$500,000 SELF INSURED  
RETENTION IN THE CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

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WHEREAS, the City presently has a \$250,000 self insured retention in the California Joint Powers Insurance Authority (CJPIA); and

WHEREAS, CJPIA bylaws were recently changed to provide that losses be distributed according to payroll rather than according to loss history;

NOW, THEREFORE, BE IT RESOLVED, that the City Council hereby authorizes the City of Lodi to assume a \$500,000 self insured retention (deductible or SIR) in the CJPIA.

Dated: December 6, 1989

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I hereby certify that Resolution No. 89-177 was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 6, 1989 by the following vote:

Ayes: Council Members - Hinchman, Olson, Pinkerton, Reid and Snider (Mayor)

Noes: Council Members - None

Absent: Council Members - None

  
Jennifer M. Perrin  
Deputy City Clerk

for Alice M. Reimche  
City Clerk